

DEBT SERVICE

TAX-SUPPORTED DEBT

Introduction

The Debt Service Fund provides for the payment of principal and interest on the City's outstanding general obligation bonds, certificates of obligation and equipment acquisition notes. Debt financing is used to pay for large capital projects by spreading the cost of the project over the life of the asset. Capital projects may include improvements to and/or construction of the City's street system; parks and recreational facilities; libraries, police and fire protection facilities; and the flood protection and storm drainage system. The Financial Management Performance Criteria (FMPC) address debt management, and among other requirements, necessitate voter approval prior to issuance of general obligation bonds and restrict the maturities, amounts of and purposes for which bonded debt may be issued.

The primary source of revenue for the debt service fund is the ad valorem property tax. The proposed ad valorem tax rate of 69.98¢ per \$100 assessed value is split into two rates. Approximately one-fourth (18.87%) of the tax revenue is used to pay principal and interest on the City's outstanding general obligation debt. The remaining three-fourths (51.11%) of the revenue generated by the tax rate is used to pay for operating and maintenance costs incurred in the General Fund.

Credit Rating

The City of Dallas' General Obligation debt currently holds AAA/Aaa ratings from Standard & Poor's and Moody's Investors Service, respectively. These are the highest achievable ratings and reflect the sound management of the City of Dallas' financial resources. These excellent credit ratings allow the City of Dallas to issue relatively low cost debt.

Legal Debt Margin

The City of Dallas Charter (Chapter XXI, Section 3) limits the maximum bonded indebtedness to 10% of assessed property value. However, the City's Financial Management Performance Criteria (FMPC) further limits the net general obligation debt to 4% of the true market valuation of the taxable property of Dallas. Existing debt plus new debt of \$11.2 million would constitute 1.0% of the taxable value of \$66.5 billion. Thus, the City would continue to be in compliance with this criterion as of 9/30/2003.

DEBT SERVICE

FY 2002-03 Debt Service Budget

The FY 2002-03 budget includes principal and interest payments on \$761.7 million of existing debt. New debt to be issued includes \$11.2 million in equipment acquisition notes. Principal and interest expenses for existing debt and new debt are \$81.3 million and \$47.4 million, respectively, and are summarized in the table below.

	Principal	Interest	Total
Existing Debt	\$ 79,082,827	\$ 47,043,589	\$ 126,126,416
\$11.2m Equipment Acquisition Notes	2,240,000	375,344	2,615,344
Total	\$ 81,322,827	\$ 47,418,933	\$ 128,741,760

Selected Financial Management Performance Criteria - Debt Management

These key criteria, established to ensure sound management of the City's financial resources, are listed below to detail the effects of the issuance of new debt.

Criteria	9/30/01 Actual	9/30/02 Estimate	9/30/03 Adopted ¹
Total direct plus overlapping debt not to exceed 8% of the market value of taxable property	2.51% In compliance	2.31% In compliance	2.27% In compliance
Weighted average general obligation bond maturities not to exceed 10 years	7.11 years In compliance	7.06 years In compliance	6.59 years In compliance
Certificate of obligation debt not to exceed 15% of total authorized and issued general obligation debt	3.73% In compliance	3.98% In compliance	3.57% In compliance
Per capita general obligation debt not to exceed 10% of latest authoritative computation of per capita annual income	1.93% In compliance	1.74% In compliance	1.58% In compliance

¹9/30/03 Adopted includes the issuance of \$11.2 million of new debt.

DEBT SERVICE

Statement of General Obligation Bonded Indebtedness As of 09/30/2002 (by Series)

Series Number	Issue Name	Date of Issue	Term Years	Outstanding Principal
514	General Obligation Refunding	8/15/85	18.5	4,285,548
543	General Obligation Refunding	4/15/92	13	10,390,000
547	General Obligation Various Purpose	10/15/92	20	9,000,000
549	General Obligation Refunding	6/15/93	18	86,935,000
551	General Obligation Various Purpose	6/15/94	20	30,000,000
556	General Obligation Various Purpose	11/1/95	20	19,250,000
560	General Obligation Various Purpose	11/1/96	19	41,040,000
563	General Obligation Various Purpose	11/1/97	19	43,180,000
571	General Obligation Refunding and Improvement	11/1/98	20	210,765,000
574	General Obligation Various Purpose	11/1/99	19	58,940,000
578	General Obligation Various Purpose	11/1/00	19	97,545,000
583	General Obligation Various Purpose	11/1/01	19	64,655,000
Total General Obligation Bonds				\$675,985,548
572	Equipment Acquisition Contractual Obligations	11/1/98	5	6,170,000
575	Equipment Acquisition Contractual Obligations	11/1/99	5	4,870,000
579	Equipment Acquisition Contractual Obligations	11/1/00	5	18,120,000
584	Equipment Acquisition Contractual Obligations	11/1/01	5	26,270,000
Total Equipment Acquisition Contractual Obligations				\$55,430,000
544	Certificates of Obligation	6/1/92	20	485,000
546	Certificates of Obligation	10/15/92	20	1,100,000
558	Certificates of Obligation	11/1/95	10	540,000
565	Certificates of Obligation	11/1/97	10	3,220,000
580	Certificates of Obligation	11/1/00	10	18,295,000
585	Risk Management Notes, Taxable	11/1/01	10	6,660,000
Total Certificates of Obligation				\$30,300,000
Total General Obligation, Equipment Acquisition Contractual Obligations, and Certificates of Obligation				\$761,715,548

DEBT SERVICE

Debt Service Requirements

As of 09/30/2002

Fiscal Year	Outstanding Debt		
	Principal	Interest	Total
2003	\$ 79,082,827	\$ 47,043,589	\$ 126,126,416
2004	79,282,721	38,037,751	117,320,472
2005	79,030,000	28,378,425	107,408,425
2006	71,295,000	24,549,156	95,844,156
2007	52,315,000	21,352,781	73,667,781
2008	47,685,000	18,854,067	66,539,067
2009	47,710,000	16,490,925	64,200,925
2010	44,780,000	14,208,021	58,988,021
2011	38,720,000	12,150,390	50,870,390
2012	38,170,000	10,257,384	48,427,384
2013	36,970,000	8,402,037	45,372,037
2014	31,770,000	6,690,175	38,460,175
2015	26,710,000	5,220,912	31,930,912
2016	24,515,000	3,925,688	28,440,688
2017	21,080,000	2,758,866	23,838,866
2018	18,105,000	1,743,025	19,848,025
2019	12,280,000	944,750	13,224,750
2020	8,815,000	385,181	9,200,181
2021	3,400,000	76,500	3,476,500
	\$ 761,715,548	\$ 261,469,624	\$ 1,023,185,172

DEBT SERVICE

Statement of Revenues and Expenditures *Tax Supported Debt*

	<u>FY 2000-01</u> <u>Actual</u>	<u>FY 2001-02</u> <u>Budget</u>	<u>FY 2001-02</u> <u>Estimate</u>	<u>FY 2002-03</u> <u>Adopted</u>
Beginning Cash Balance	\$ 3,772,270	\$ 4,118,790	\$ 4,785,697	\$ 2,271,510
<u>Revenues</u>				
Ad Valorem Taxes	118,133,890	123,170,325	123,170,325	124,583,435
Interest/Transfers/Other	8,625,284	9,451,005	7,945,389	4,756,795
Total	126,759,174	132,621,330	131,115,714	129,340,230
Total Available Resources	\$ 130,531,444	\$ 136,740,120	\$ 135,901,411	\$ 131,611,740
<u>Expenses</u>				
Principal Payments	85,350,000	81,330,122	81,330,122	81,322,827
Interest Payments	38,028,314	52,083,104	50,426,550	47,418,933
Other Expenses	2,367,433	1,929,170	1,873,229	1,479,246
Total	125,745,747	135,342,396	133,629,901	130,221,006
Ending Cash Balance	\$ 4,785,697	\$ 1,397,724	\$ 2,271,510	\$ 1,390,734